

DOCUMENT RESUME

ED 295 572

IR 013 165

TITLE Telecommunications Policy Research Conference. Media Concentration and the First Amendment Section. Papers.

INSTITUTION Telecommunications Policy Research Conference, Inc., Washington, DC.

PUB DATE Sep 87

NOTE 28p.; Papers presented at the Telecommunications Policy Research Conference (15th, Airlie, VA, September 27-30, 1987). For the conference program and additional papers, see IR 013 160-182.

PUB TYPE Legal/Legislative/Regulatory Materials (090) -- Reports - Research/Technical (143) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS *Broadcast Industry; Communications; Cost Effectiveness; *Mass Media; News Reporting; *Ownership; Public Policy; *Television

IDENTIFIERS Federal Communications Commission; *First Amendment; Pricing; *Television Stations

ABSTRACT

These two papers consider the implications of industry concentration in the mass media industry. The first, "Selling the Store: Policy Implications of the 1986 Bonanza in Television Station Transfers" (Joseph Foley, Ohio State University), analyzes the relationship between key market variables and prices paid in 1986 television stations transfers, and draws conclusions about the emerging patterns of media ownership and the implications of those patterns for the expression of divergent views. Six figures and 31 references are included. The second paper, "Measuring Media Concentration" (Mark S. Nadel) (abstract only), suggests that media concentration should be regarded as a problem only when there are too few suppliers of some particular media product to some particular media market. It recommends that general measures of industry concentration, such as the Herfindahl-Hirschman Index, be adjusted before they are used to measure such things as concentration among news suppliers, given the ease with which news can diffuse through a market. (Author/EW)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED295572

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

☒ This document has been reproduced as
received from the person or organization
originating it.

☐ Minor changes have been made to improve
reproduction quality.

• Points of view or opinions stated in this docu-
ment do not necessarily represent official
OERI position or policy.

TELECOMMUNICATIONS POLICY RESEARCH CONFERENCE

Media Concentration and the First Amendment Section

Airlie, Virginia

September 27-30, 1987

IR013165

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Edward Zajec

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

✱ This document has been reproduced as
received from the person or organization
originating it.
☐ Minor changes have been made to improve
reproduction quality.

• Points of view or opinions stated in this docu-
ment do not necessarily represent official
OERI position or policy.

Selling the Store

Policy Implications of the 1986 Bonanza in Television Station Transfers

A paper presented

at the

Fifteenth Annual Telecommunications Policy
Research Conference

Airlie House, Virginia
28 September 1987

by

Joseph M. Foley

Professor

Department of Communication
The Ohio State University
154 N Oval Mall
Columbus, OH 43210

(614) 292-3400

BitNet ts0062@ohstmvs

Copyright © 1987 J. M. Foley

rev 27 Oct 87

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY
Edward Zajec

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

MM 1:30

MEDIA CONCENTRATION AND THE FIRST AMENDMENT
Chair: Stuart N. Brotman

Joseph M. Foley: Selling the Store: Policy Implications of the
1986 Bonanza in Television Station Transfers

The relaxation of the FCC's limits on transfers of control has created a new marketplace for stations. Since transfers are the primary means of gaining entry into the broadcast industry, they are a major determiner of media access. This paper presents a macro analysis of the relationships between some key market variables and prices paid in 1986 television station transfers. In light of historic trends, this analysis provides the basis for conclusions about the emerging patterns of media ownership and the implications of those patterns for the expression of diversified views.

IR 013165

Selling the Store

Policy Implications of the 1986 Bonanza in Television Station Transfers

Joseph M. Foley

Department of Communication
The Ohio State University

Concentration and Access

The evaluation of "Media Concentration and the First Amendment" should be grounded in the First Amendment's goal of promoting the maximum diversity of expression. In achieving this goal policy-makers must be responsive to the rapidly shifting communication technology environment. Changing communication technology requires fresh policy adaptations.

Truly free expression has two characteristics: freedom of access and freedom from censorship. At the time of the framing of the Constitution, freedom of access was assumed. The primary concern was with freedom from censorship by the government. "Free speech and free press" meant unregulated and uncensored speech and press. It was obvious that everyone had the same opportunities to speak (although, perhaps, not the same ability). Many of the analyses of the implications of the First Amendment have focused, rightly, on the need to continue to insure that content controls are imposed only when those control are necessary to promote the goal of free expression. Freedom of access has received less attention. At the time of the Bill of Rights, freedom of access could be guaranteed by insuring that the government took no action to establish or prohibit publication. Free

press entailed freedom of access because that anyone who wanted to start a press could do so without government approval or interference.

This article examines the recent trends in television station transfers. Because broadcast licenses are issued by the government, the government's policies must play a major role in determining who will have access to the broadcast media. Under the current license transfer process the FCC has decided to exercise minimal influence in the hope that the unguided marketplace will be beneficial. If the goal of the First Amendment were to be achieved, there should be maximum diversity of licensees. Examination of the trends of recent years shows increasing concentration of ownership. The experience of the station-trading marketplace suggests that the transfers which increase concentration are using different factors to determine the price of television stations. If left to operate without government guidance, the economics of this marketplace will result in continuing increases in concentration of control. This increased concentration will further reduce the diversity of ownership, which will lead to a further reduction of access.

Free access took on new importance with the coming of the broadcast media which forced the government to assume control of the use of the electromagnetic spectrum by limiting the power, location, and frequencies of transmitters. It chose to do this by allowing private entities to control each transmitter. This provided the basis for the "ownership" of broadcast stations which continues to today. Entry into broadcasting is controlled by the government. Even with all the movement toward "deregulation" in the 1970's and 1980's there has been no serious suggestion that the government should remove itself from this control of access. A generally accepted principle of broadcast regulation continues to be that the government (through the FCC) has a duty to insure that only its chosen licensees are allowed to transmit. Generally this is pointed to as a means of insuring the First Amendment rights of the broadcasters, because it guarantees their freedom of expression. Although the industry does not like to think of the situation in these terms, it is equally accurate to say that the role

of the FCC is to insure that other members of the public do not broadcast.

Access and broadcasting. This limitation on access has brought about the basic dilemma which underlies any discussion of the First Amendment and broadcasting. The First Amendment right to free expression of the broadcasters can be promoted only by limiting the free expression of the rest of the population. The key factor is the control of access to the media. The government has delegated this control to those it has chosen as licensees. The First Amendment rights of the licensees are viewed, necessarily, as superior to the First Amendment rights of the rest of the population. Thus, whether the broadcast media do or do not provide for diversity of expression is determined by the preferences of the licensees. This suggests that the selection of licensees assumes paramount importance for achieving First Amendment goals.

There are two general approaches for achieving First Amendment goals in the selection of licensees. One would be to screen licensees for their dedication to devoting their stations to promote diversity of expression. The other would be to try to insure a very diverse group of licensees, so that even though each individual licensee might not promote freedom of expression on its own station, the wide range of points of view of the licensees would insure that the public would have broad access to the information necessary to make informed decisions in a democracy. This second alternative would follow the model used for the press, where it has been assumed that the wide range of expressions will result from the open access. When this second approach is followed, increased concentration of control becomes a threat to the diversity of ownership necessary for open access.

Those who argue that concentration does not pose a challenge for First Amendment rights in broadcasting generally do not compare the ease of access to broadcasting with the ease of access granted to free speech. Rather, they concentrate on the freedom of the press provision which grants rights only to those who own newspapers.

Fein states the argument for the apparent abundance of broadcast stations:

[T] here is less concentration and monopolization in the broadcast industry than in the newspaper industry. . . . Today, the United States enjoys over 12,000 radio and television stations, with 6,000 new low power television stations on the way, whereas there are only 1,700 daily newspapers. Most large metropolitan areas have only one newspaper. Thus, generally speaking, a person has more exposure to differing broadcast views than to differing newspaper views.¹

This seeming wealth of broadcast stations pales when the comparison is expanded to include weekly newspapers and magazines. Just looking at these numbers obscures the important difference in access. One's ability to start a print publication is not restrained by government control. The medium of print allows unlimited numbers of publications. The broadcast media are constrained by the limited useable spectrum space. The government is expected to police the utilization of the spectrum by prohibiting unauthorized transmitters from operating. People who operate transmitters without government permission are called "pirates" and punished for violating the rules of access.² In print there is no analogous concept of an pirate publication. The First Amendment and the nature of the print medium allow access to be open to all. The challenge is to find ways to provide appropriate access in the broadcast media, because the growing concentration of control is a threat to such access.

Control of entry into broadcasting. Another way to look at the issue of access is to look at the de facto situation created by the the current policies. It is only in the case of applications for new or unused frequencies that the FCC considers the comparative qualifications of

¹Fein, B. 1980, p. 83.

²For example the recent seizure of Radio Newyork International's transmitter ship. Broadcasting, 3 August 1987, pp. 71-73.

competing applicants. Existing licensees may request that their license be transferred to other organizations. When the FCC receives a request to transfer a license, it examines whether the proposed new licensee has the basic qualifications for operating the station. It does not consider whether the proposed licensee has the best qualifications. This creates a situation where the selection of the new licensee is largely in the hands of the present licensee, since the present licensee proposes the transfer to an entity of its choice.

A large part of that choice is determined by the price the new entity is willing to pay for the station. Fein argues that this is not a problem because the situation is the same for daily newspapers:

[I]t is no more difficult for competition to enter the broadcasting industry than to enter the newspaper industry. Most broadcasters enter the industry by purchasing an existing broadcast license, not by applying for a new license. Broadcasting licenses sell for anywhere between \$13,000 and \$500,000,000 depending on location and whether the medium is radio or television. A large newspaper will market for more than \$500,000,000. There are virtually no occasions in which the FCC will deny a purchaser the right to obtain a broadcasting license; thus, the broadcasting industry is readily accessible to entry by purchase and is at least as competitive as the newspaper industry.³

While the prices for major newspapers and major television stations may be in the same broad price range, there is an important distinction: one can attempt to start a competitive newspaper without negotiating a purchase of an existing paper. If one tried to start a television station in the same way, the FCC promptly would take action to shut it down. The FCC policy insures the selection of the future licensee, and thereby the control of entry, in the broadcast media is in the hands of the existing licensee. The enormous prices paid for television stations provide clear evidence of the value

³Fein, B. 1980, p. 83.

assigned to the right to have exclusive use of a frequency in a major market.

Hence, to understand control of entry, it is essential that one look at the way in which prices for stations are established, and at the factors which determine the value of a station. I have been working on a series of continuing studies which will track these factors over a period of years. In this paper I will concentrate on two aspects of this larger body of work: 1) the historic trends in prices, and 2) the experience of 1986, with particular emphasis on the relationship of price to the increase or decrease in concentration.

Historic Trends in Television Transfer Prices

This paper reports some aspects of a continuing study of the pricing of television transfers. The prices paid for stations have grown rapidly in the past few years. The number of stations sold has increased as well.

Figure 1 records the number of television stations transferred each year since 1954.

Insert Figure 1 About Here

The bars show that transfer volume has increased steadily since its low in 1981. The annual increase in number of stations transferred has averaged 140 per cent. In the 1950's an average of 26.5 stations were transferred each year. Thus far in the 1980's the average annual transfer rate has jumped to 65 transfers per year. 1986 was a record year with 128 stations transferred. There was a steady increase in the number of television stations during this period. The line shows that the percentage of stations transferred also increased rapidly in the 1980's.

The price paid for the "average" station has continued to grow. The pattern of average prices since 1954 is shown in Figure 2.

Insert Figure 2 About Here

To remove the impact of general inflation, the prices shown in Figure 2 are in constant (1986) dollars. The general pattern shows growth in the prices paid for stations. The more detailed annual pattern of year to year fluctuations is less meaningful because it is so heavily influenced by the fact that some years see transfers of a number of very expensive large market stations, while other years do not have any major transfers.

1986 Transfers and Concentration of Control

Since access to the broadcast media normally is obtained through the transfer of control process, and since the price offered for entry is the major factor in the present licensee's selection of the new licensee, the factors which influence price are an important part of the control of access.

General Factors Influencing Price. When asked about the prices paid for station transfers, most people in the industry will say that the price is determined as a multiple of some accounting measure of the station's past financial performance. Prices based on a multiple of cash flow or gross revenues are given frequently. As Schultz observes concisely: "The key to station value is profitability."⁴ As would be expected, the station brokers emphasize that there are many subjective factors in determining price -- factors which require (their own) judgement and experience to assess. Hamilton provided this view nearly 30 years ago.

⁴Schultz, D. E. 1978, p. 82.

Although a broadcast property, to the initiated, may seem to consist in large part of intangibles, actually there are a number of well-defined factors by which a facility is evaluated.

Although these criteria can be set forth on paper, they by no means approach a formula. The human element plays too large a part; so much depends on the good judgment of the appraiser. Experience in purchase and sale of stations, or its negotiations, plus deep-rooted experience and knowledge of the broadcast industry, are mandatory requisites of successful station pricing.⁵

Today the situation is similar, although there would be more emphasis on computers and complex analyses of financial factors, and much less emphasis on the knowledge of the broadcast industry.

The pace of transfers has accelerated with the termination of the FCC's "three-year rule" has opened new opportunities for rapid station trading. As Del Regno observes:

[Removing the three-year rule] has made it easier for adventurous souls to come in there and to know that they can get out of this business and sell off the company, or parts of it, in the next year or two. Their investment is protected; perhaps more than protected. Perhaps they can make money on acquiring a company and selling off its parts, and they can do that in an efficient manner, a speedy manner. They don't have to wait it out.⁶

This has had an impact on access to the industry. No longer is the transfer of a station limited to potential licensees who, of necessity, must have a commitment to the long term operation of the station. Now stations can be sold to investors who are looking for short term profits from either the operation or the early sale of the station, rather

⁵Ray V. Hamilton, as quoted in Sponsor and cited in FCC 1959, p. 293.

⁶Hugh F. Del Regno, as quoted in "Money on their minds" p. 78.

than from long term-gains. It is likely that such short-term and profited-oriented investors will not have a strong commitment to the long-range goals of the First Amendment.

One of the ways to better understand the impact of the changes in concentration of control is to look at the experience of the past year in relation to the prices paid for stations.

The 1986 Analyses. To analyze factors influencing station price, I have analyzed all transfers reported in Broadcasting in 1986.⁷ Figure 3 shows that concentration increased much more often than it decreased.

Insert Figure 3 About Here

Concentration change was measured by the difference between the number of television stations controlled by the buyer after the transfer and the number of television stations controlled by the seller before the transaction. The "little change" category was used for transactions where concentration changed by one station or zero stations.

Figure 4 shows the price paid per station in relation to change in concentration of control.

Insert Figure 4 About Here

⁷The data base is comprised of all transactions reported in Broadcasting's weekly sections "Changing Hands" and "For The Record." To insure comparability of the price figures, some transactions which bundled other properties with television stations were excluded.

The relatively high figure shown for stations where there was a decrease of concentration may be due to the influence of large values reported for two transactions in this small group.

Pricing and Concentration. There are two general ways a purchaser can price a station: 1) It can be priced based on its present performance. Or, 2) it can be priced on its potential to reach a market. This section relates these two methods of pricing to the change in concentration.

In a transaction the buyer and seller have access to detailed financial records to provide a measure of the performance of the station. These financial records are confidential and are not available to researchers; other measures must be found for analysis. Since a primary goal of a station is to generate audiences, audience measures can be used as surrogate indices of performance. Fortunately, some audience measures are available for research.⁸ Two basic indicators of television audience size are average daily circulation (the number of different households which watch at some time during a typical day) and net weekly circulation (the number of different households which watch at some time during the week). In 1986, the correlation between transaction price and average daily circulation was .85. The correlation between transaction price and net weekly circulation was .77.

If price were based on present performance, one would expect that buyers would pay more for stations with high circulation. Figure

⁸The figures used were obtained from Television & Cable Factbook No. 54, (Washington, D.C.:Television Digest, 1986). In transactions which involved more than one television station, the circulation figures for all the stations were summed to obtain a measure of the total audience reached.

5 shows the average amount paid per average daily viewing household for transactions in each of the three concentration categories.⁹

Insert Figure 5 About Here

The figure suggests that the transfers which increased concentration tended to pay less for each household of average daily circulation.

If price were based on potential performance, one would expect that buyers would pay more for stations in large markets, regardless of their circulation. Figure 6 shows the average amount paid per market household for transactions in each of the three concentration categories.

Insert Figure 6 About Here

Here the transactions which increased concentration showed a much higher price per household.

These relationships suggest that buyers whose purchases increased concentration were less influenced by immediate measures of station performance and were more interested in the potential growth available to them in the markets to which they were gaining access. This may be a result of new types of group owners coming into the station marketplace -- group owners who do not care about present performance because they intend to make substantial changes in station format. In 1986 a notable example of this was the purchases

⁹Transaction price/average daily circulation.

made by the Home Shopping Network with the intention of expanding the audience for its shop-at-home marketing.¹⁰

Conclusion

Given the above analysis, it is clear that the transfer process itself encourages the trend to think of broadcast stations primarily as revenue generating investments, rather than as instruments of democratic communication. The astronomic prices paid for entry into broadcasting insure that financial analysts will have a major role in any decision about acquiring a station. There are no countervailing factors to give significant weight to the non-financial aspects of the transaction.

Ultimately it is not just the station that is being sold as a commodity, it is the audience as well. The payment is for the potential of reaching the eyes and minds of the public. Not for reaching them with messages relevant for the great political and social issues of the day, but for reaching them with the commercial messages of the sponsors who wish to advertise.

The gradual trend toward increased concentration of control is fueled by these factors. The large organizations are best able to participate in the transfer process through their ability to offer large sums of money to existing licensees.

Freedom of speech and freedom of the press are dependent both on the absence of government censorship and on open access to the media. As the FCC continues in its campaign to remove all content controls (except perhaps controls on obscenity), it should not ignore the concurrent need to provide for a corresponding increase in

¹⁰Broadcasting, 11 August 1986, pp. 57-59, and 9 March 1987, pp. 55-56.

access. Since the spectrum resource cannot allow the equivalent of the open entry available in print and in speech, a policy sensitive to First Amendment goals must be concerned with concentration of control. In my opinion the economic factors are fueling a trend toward increased concentration of ownership which is a serious threat to the free and open expression of ideas essential for a democracy to function successfully. Policies should be implemented to counteract this trend.

References

- Bates, Benjamin J. "The Role of Theory in Broadcast Economics: A Review and Development." In Communication Yearbook 10, McLaughlin, Margaret L. (Ed.). Beverly Hills: Sage, 1987. Pp. 146-171.
- Bator, Paul. "The First Amendment Applied to Broadcasting: A Few Misgivings." Harvard Journal of Law and Public Policy. Vol. 10, No. 1 (Winter 1987). Pp. 75-79.
- Besen, Stanley M. and Hanley, Paul J. "Market Size, VHF Allocations, and the Viability of Television Stations." Journal of Industrial Economics. Volume 24, No. 1 (September, 1975), Pp. 41-54.
- Besen, Stanley M. and Johnson, Leland L. "Regulation of Broadcast Station Ownership: Evidence and Theory." In Video Media Competition: Regulation, Economics, and Technology. Noam, Eli M. (Ed.). New York: Columbia University Press, 1985. Pp. 364-389.
- Besen, Stanley M. Krattenmaker, Thomas G., Metzger, A. Richard, Jr., and Woodbury, John R. Misregulating Television: Network Dominance and the FCC. Chicago: University of Chicago Press, 1984.
- Blau, Robert T., Johnson, Rolland C. and Ksobiech, Kenneth J. "Determinants of TV Station Economic Value." Journal of Broadcasting. Vol. 20, No. 2 (Spring, 1976). Pp. 197 - 207.
- Bonder, Todd. "A 'Better' Marketplace Approach to Broadcast Regulation." Federal Communications Law Journal. Vol. 36, No. 1 (July 1984). Pp. 27-68.

Deutchmann, Paul J. and Emery, Walter B. "Sale and Value of Radio Stations." Journal of Broadcasting. Vol 5, (Winter, 1961). Pp. 219-228.

Farber, Michele M. "Broadcast Licensees: Fair Game for Corporate Raiders." Catholic University Law Review. Vol. 35, No. 3 (Spring 1986). Pp. 761-805.

"FCC Grilled on Three-Year Rule." Broadcasting. 22 June 1987. Pp. 49-50.

Federal Communications Commission, Network Inquiry Special Staff. The Market for Television Advertising: Determinants of Television Station Profitability. Preliminary Report. June 1980.

Federal Communications Commission. History of Transfers and Assignments. Staff Document. Mimeo 80052. 5 November 1959.

Fein, Bruce. "First Class First Amendment Rights for Broadcasters." Harvard Journal of Law and Public Policy. Vol. 10, No. 1 (Winter 1987). Pp. 81-85.

Foley, Joseph M. "The Development of the New Media World: Lessons from the US Regulatory Experience." Conference of New Media. Loccum, Federal Republic of Germany, June 1986.

Foley, Joseph M. "Telecommunication Privatization and Deregulation: Two Stages of a Single Process." International Communication Association Convention, Montreal, Canada, May 1987.

Fowler, Mark S., Halprin, Alber, and Schlichtine, James D. "'Back to the Future': A Model for Telecommunications." Federal Communications Law Journal. Vol. 38, No. 2 (August 1986). Pp. 145-200.

Geller, Henry. "Broadcasting and the Public Trustee Notion: A Failed Promise." Harvard Journal of Law and Public Policy. Vol. 10, No. 1 (Winter 1987). Pp. 87-90.

Geller, Henry. "Communications Law -- A Half Century Later." Federal Communications Law Journal. Vol. 37, No. 1 (January 1985). Pp. 73 - 83.

"Home Shopping Network's Shopping Spree." Broadcasting. 9 March 1987. Pp. 55-56

"HSN Turns Its Pitch to Broadcasting." Broadcasting. 11 August 1986. Pp. 57-59.

Levine, Harvey J. Fact and Fancy in Television Regulation: An Economic Study of Policy Alternatives. Russel Sage Foundation, 1980.

Noll, Roger G. Peck, Merton J. and McGown, John J. Economic Aspects of Television Regulation. Washington, D. C.: Brookings Institution, 1973.

Powe, Lucas A., Jr. American Broadcasting and the First Amendment. Berkeley: University of California Press, 1987.

Schutz, David E. "Is That Station Really a Bargain? Financial Considerations for the Prospective Station Owner." Broadcast Management and Engineering. July, 1978. Pp 82-87; and August, 1978. Pp. 78-86.

"Station Flipping: Looking for a Smoking Gun." Broadcasting. 30 June 1986. Pp. 27-30.

"Tax Reform Sends Trading Soaring." Broadcasting. 22 September 1986. Pp. 35-36.

"Tension in the Station Trading Market" Broadcasting. 24 November 1986. Pp 39-40.

"33 Years of Station Transactions." (Table.) Broadcasting. 9
February 1987. P. 53.

Tunstall, Jeremy. Communications Deregulation: The Unleashing of
America's Communications Industry. Oxford: Basil
Blackwell, 1986.

Webbink, Douglas A. "Regulation, Profits and Entry in the
Television Broadcasting Industry." Journal of Industrial
Economics , Vol. 21 (1973). Pp. 167-176.

Wirth, Michael O. "Economic Barriers to Entering Media Industries
in the United States." In Communication Yearbook 9.
McLaughlin, M. L. (Ed.). Beverly Hills: Sage, 1986.

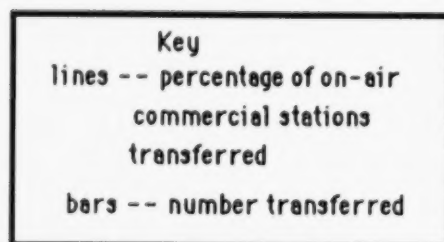
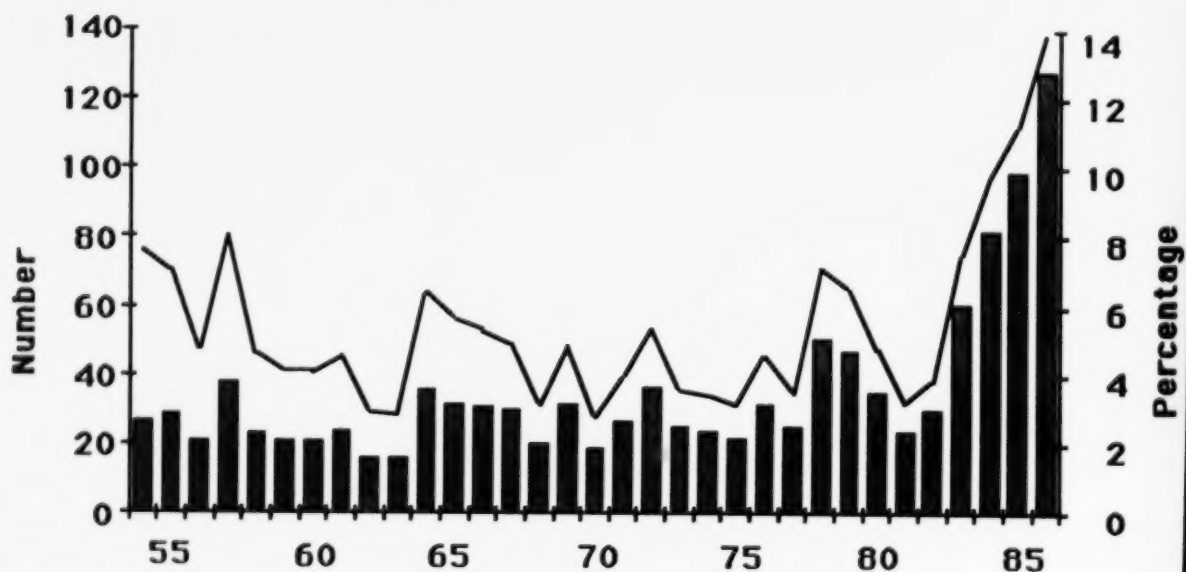


Figure 1. Television Stations Transferred

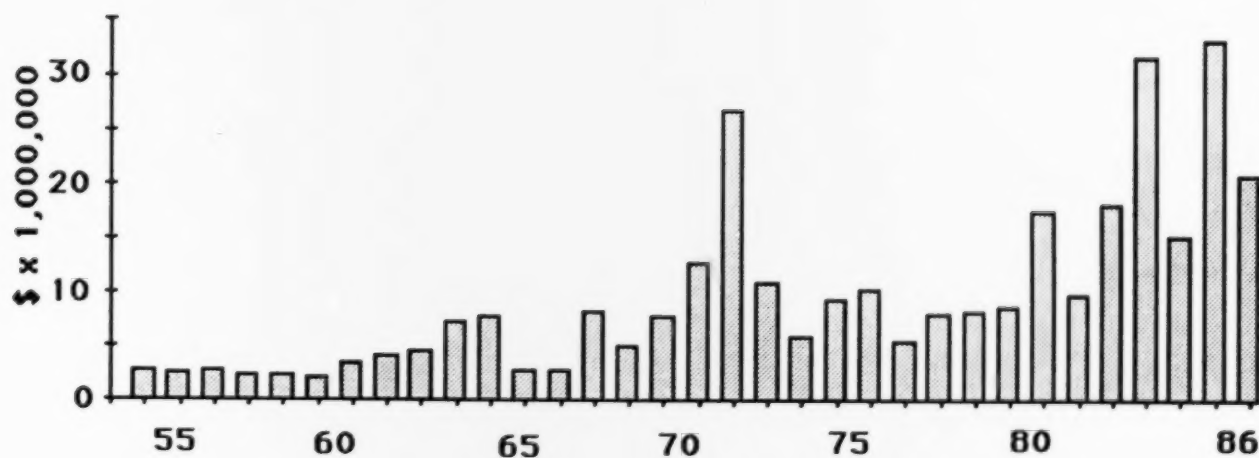


Figure 2. Average TV Station Transfer Price

(in 1986 dollars x 1,000,000)

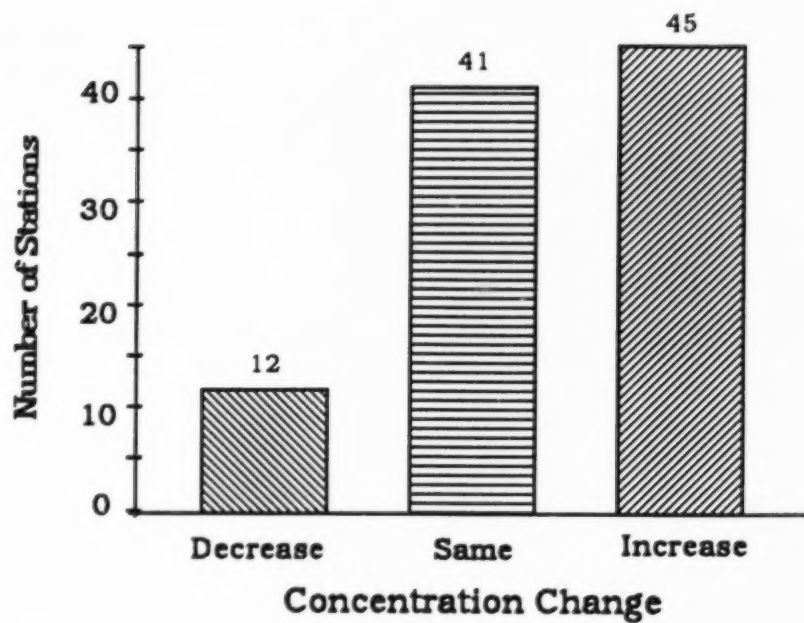


Figure 3. Number of Stations Transferred by
Concentration Change -- 1986

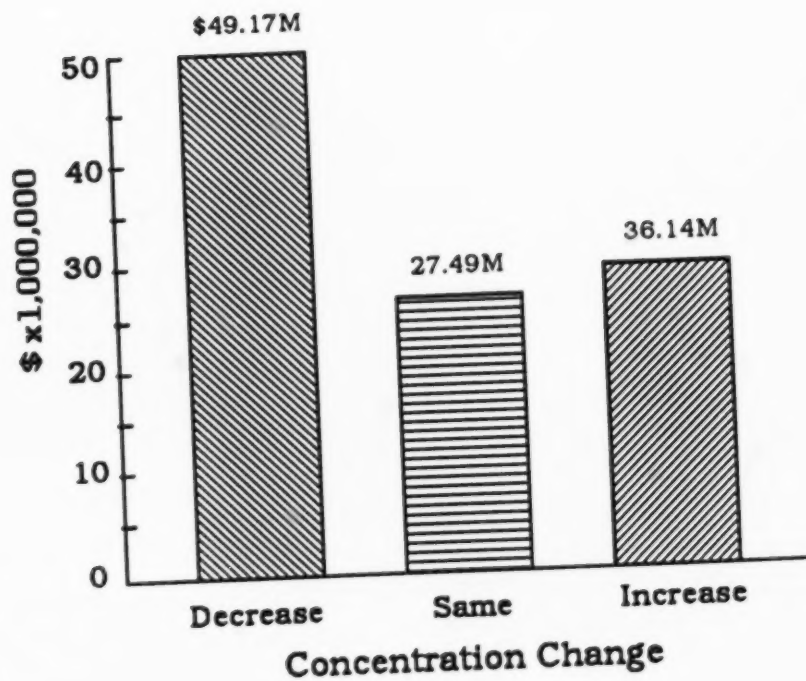


Figure 4. Price per Station by
Concentration Change -- 1986

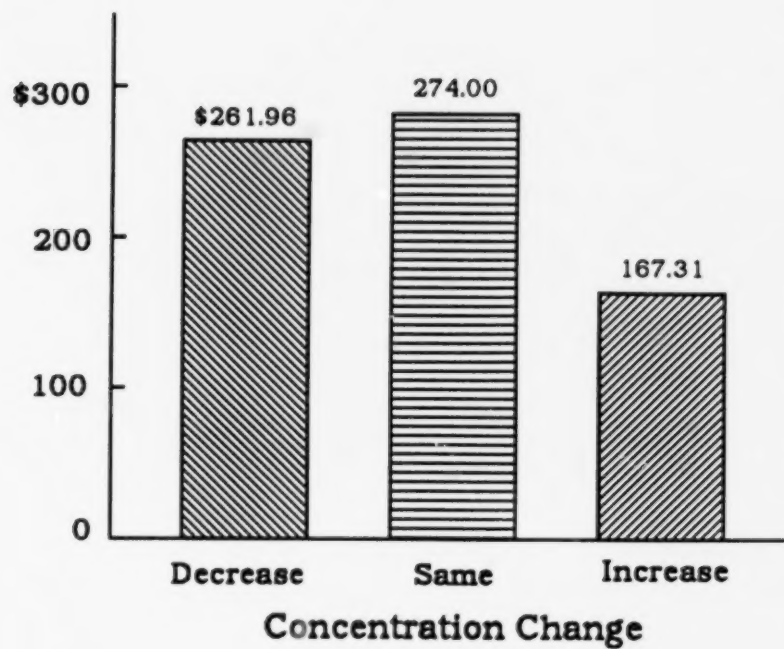


Figure 5. Dollars Paid per Household
of Average Daily Circulation

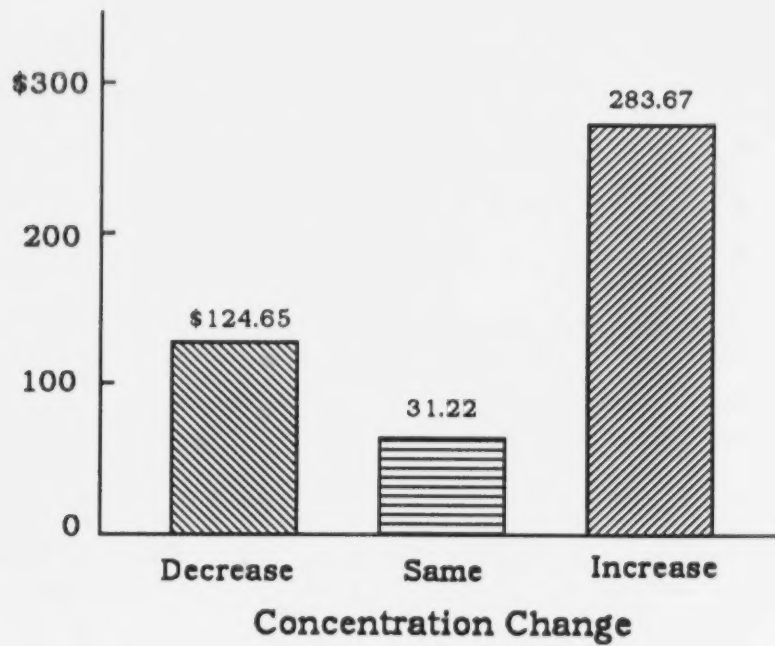


Figure 6. Dollars Paid per Household
in Market

Mem 1.30

Mark S. Nadel: Measuring Media Concentration

Given the existence of extensive inter-media competition, examinations of media concentration should not focus on competitors in terms of a single media technology. Rather than defining markets according to traditional historical categories, markets should be redefined in terms of user needs or desires. Media concentration should only be regarded as a problem when there are too few suppliers of some particular media product to some particular geographic market. For example, the availability of more than a dozen national public affairs news magazines suggests that the market for national public affairs news is not concentrated, yet it may well be that the market for local public affairs news is dangerously concentrated in some local markets. Meanwhile, general measures of industry concentration, such as the Herfindahl-Hirschman index should be adjusted before they are used to measure concentration among news suppliers, given the ease with which news can diffuse throughout a market.

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

- ☐ This document has been reproduced as received from the person or organization originating it.
- ☐ Minor changes have been made to improve reproduction quality.
- Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

Edward Zajec

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

IR 013 165